Q1 2022 Earnings and Business Update

March 2022

Jason Gorel, CFO (interim)
Brian Pedlar, CEO

TSX-V: COV
OTCQX: CVALF

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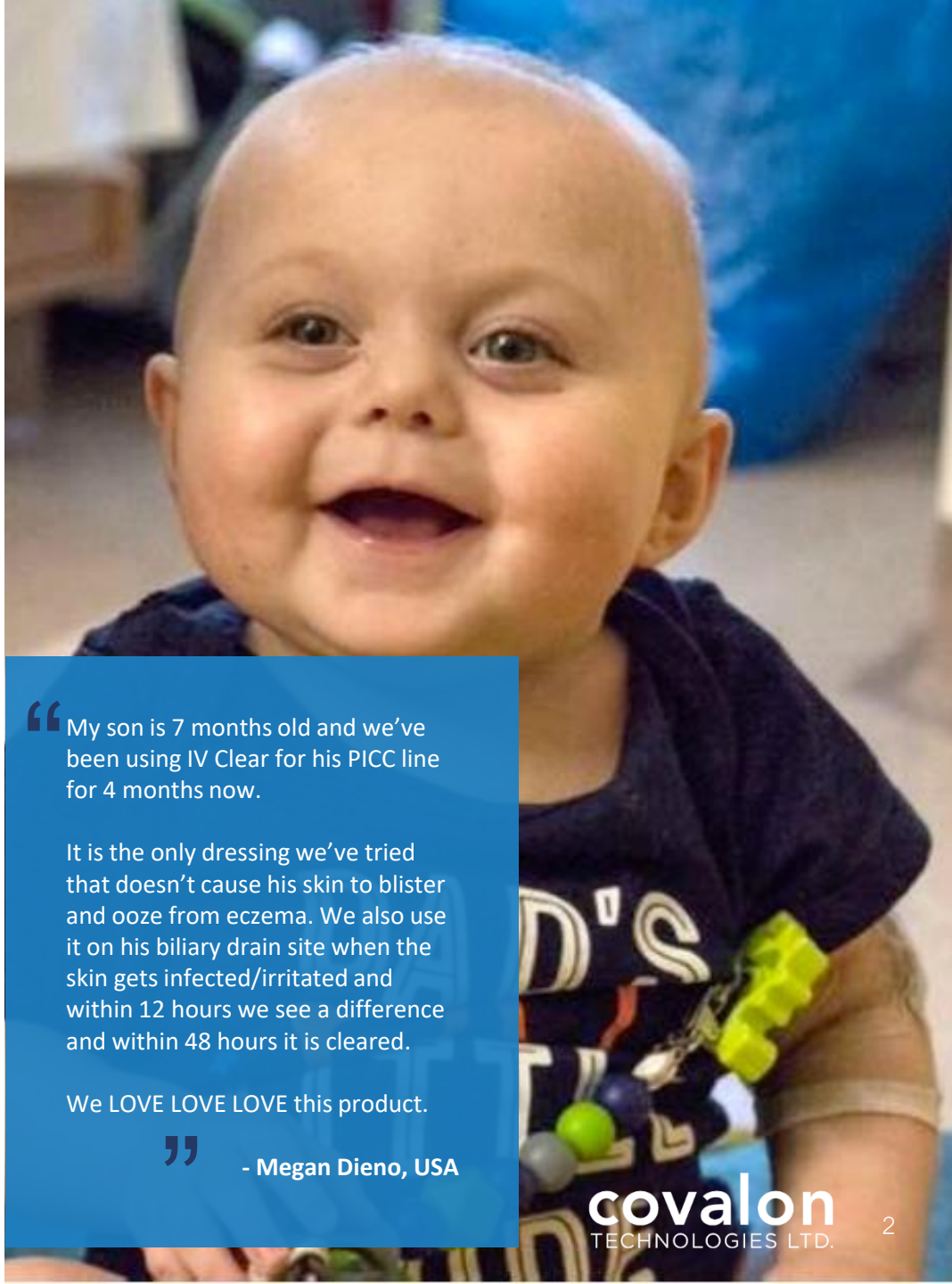
covalon TECHNOLOGIES LTD.

Millions of Covalon products are used every year by clinicians in hospitals around the world to help protect patients from infection.

Covalon's Infection Prevention Technologies Save Lives

Covalon is an innovation-driven medical device company, with a strong portfolio of patented dressings and technology that make it easier for health care providers to protect patients from infection and help patients heal.

Whether suffering from a chronic wound, recovering from a surgery, or undergoing treatment that requires vascular insertions, both clinicians and patients benefit from Covalon's family of FDA approved products and technology that are designed to reduce complications during treatments.



"My son is 7 months old and we've been using IV Clear for his PICC line for 4 months now.

It is the only dressing we've tried that doesn't cause his skin to blister and ooze from eczema. We also use it on his biliary drain site when the skin gets infected/irritated and within 12 hours we see a difference and within 48 hours it is cleared.

We LOVE LOVE LOVE this product."

- Megan Dieno, USA

Forward-Looking Statements and Non-GAAP Financial Information

Certain statements included in this Memorandum may be considered forward-looking statements. These forward-looking statements are often, but not always, identified by the use of words such as “seek”, “anticipate”, “plan”, “estimate”, “expect”, “intend” and statements that an event or result “may”, “will”, “should”, “could”, or “might” occur or be achieved and other similar expressions. More specifically, this Memorandum contains forward-looking statements which include, but are not limited to statements regarding: the Company’s corporate strategy and strategic objectives; the availability of external financing to fund the Company’s ongoing liabilities and commitments; the direct and indirect impact of the COVID-19 pandemic on the Company’s business and operations, including supply chain, manufacturing, research and development costs, contracted service providers and employees, and general business and economic events. These forward-looking statements involve risk and uncertainties, including the impact on the Company given its current liquidity situation, the difficulty in predicting product approvals, acceptance of and demands for new products, the impact of the products and pricing strategies of competitors, delays in developing and launching new products, the regulatory environment, fluctuations in operating results, and other risks, any of which could cause results, performance, or achievements to differ materially from the results discussed or implied in the forward-looking statements. Such forward-looking statements should not be taken as guarantees of future performance of Covalon.

All forward-looking statements are based on Covalon’s current beliefs as well as assumptions made by and information currently available to Covalon and relate to, among other things, anticipated financial performance, business prospects, partnership opportunities, strategies, regulatory developments, market acceptance and future commitments. The recipient is cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date of this Memorandum.

Due to risks and uncertainties, including the risks and uncertainties identified by Covalon in its public securities filings, actual events may differ materially from current expectations. Covalon disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events, or otherwise.

Certain financial measures in this Memorandum – namely earnings before interest, depreciation and amortization (“EBITDA”), adjusted EBITDA, pro-forma EBITDA, free cash flow and enterprise value – are non-IFRS financial measures. While Covalon and certain of its competitors measure and evaluate the performance of their respective consolidated operations and business segments with reference to these and similar measures, non-IFRS measures do not have any standardized or prescribed meaning under IFRS or otherwise and therefore are unlikely to be comparable to similar measures presented by other companies. These non-IFRS measures should not be considered in isolation or as a substitute for financial measures prepared in accordance with IFRS. All non-IFRS measures are included because management monitors and uses the information on a regular basis to analyze the performance of the business and therefore may be considered useful information.

For further information about the risks and uncertainties relating to forward-looking statements included in this Memorandum, the recipient should consult the “Risks and Uncertainties” section of Covalon’s annual MD&A dated December 10, 2021, as well as those contained in Covalon’s interim MD&As and other public record filings on SEDAR.

All figures are in Canadian dollars, unless otherwise noted, and Covalon’s fiscal year end is September 30th.

Q1 Fiscal 2022 Financial Results – Key Highlights

- Revenue from continuing operations increased 90% to $4.9 million for the year, compared to $2.6 million in the prior year due to an increase in product sales
- Cash flow from operations was $0.5 million, an improvement of $1.2 million
- Covalon ended the period with $25 million of cash and cash in escrow or $0.96 per share on the balance sheet
- First quarter net loss from continuing operations of $1.1 million or $0.04 per share and Adjusted EBITDA loss of $0.2 million from continuing operations
- Quarterly net loss of $1.5 million or $0.06 per share which includes net loss from the sale and transition of the AquaGuard operations

Results are for the quarter ended December 31, 2021 and 2020.

Continuing operations includes revenue from our core business of collagen, medical coatings, and antimicrobial silicone adhesive dressings, which continues to experience growth in the United States and internationally.

Discontinued operations are comprised of AquaGuard operations for the periods.

Revenues

$4.9M ↑ +90%

Operating cash flow

$0.5M ↑ +1.2M

Cash

$25M ($0.96 per share)

Net loss (continuing operations)

$1.1M ↑ +$0.1M

Net loss

$1.5M ↑ +$1.2M

Diluted EPS

($0.06) per share

Q1 2022 Income Statement Highlights

Revenues

$4.9M ↑ +90%

Primarily driven by an increase in Collagen product sales in the United States

Gross Profit

$2.3M ↑ +72%

46% ↓ -49 ppts

Primarily driven by inventory adjustments incurred in Q1

Adjusted Gross Margin[1]

$3.1M ↑ +116%

62% ↑ +74 ppts

Primarily due to impact of product mix and increased US product sales

Operating Expenses

$3.4M ↑ +49%

Primarily related to staff and other costs re-deployed from discontinued operations.

Net loss (continuing operations)

$1.1M ↑ +$0.1M

Includes $0.7M inventory provision.

Net loss

$1.5M ↑ +$1.2M

Includes $0.4M loss from discontinued operations

Adjusted EBITDA[2] loss

$0.2M ↓ -72%

Diluted EPS (continuing operations)

($0.04) per share

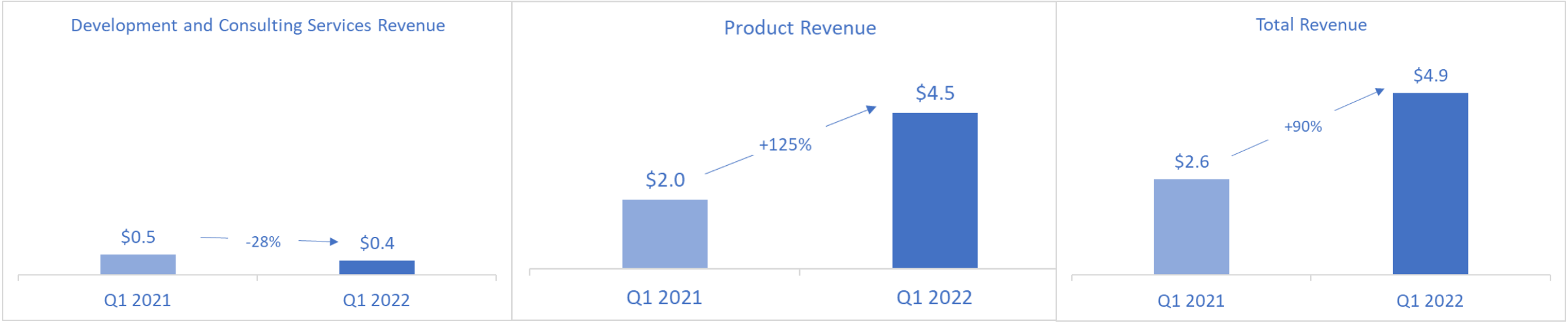
Diluted EPS

($0.06) per share

(1) Adjusted for inventory provisions and product re-work costs.
(2) Adjusted for interest, depreciation, amortization, share-based compensation, government subsidies, inventory provisions and accounts receivable write-offs

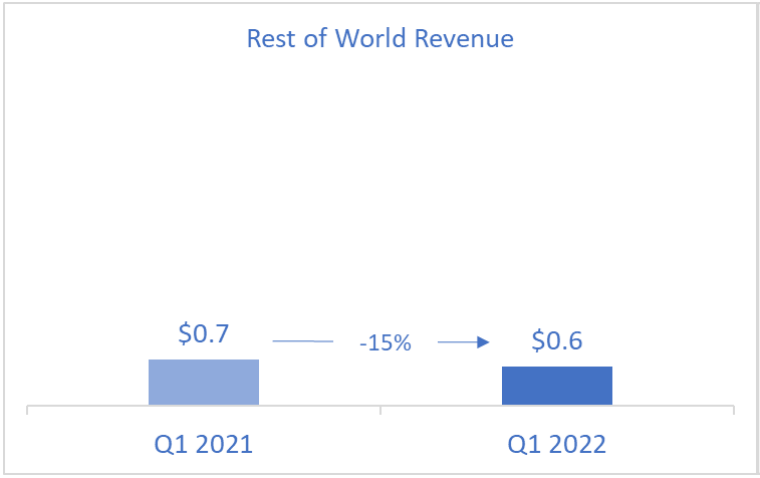
Q1 2022 Revenue

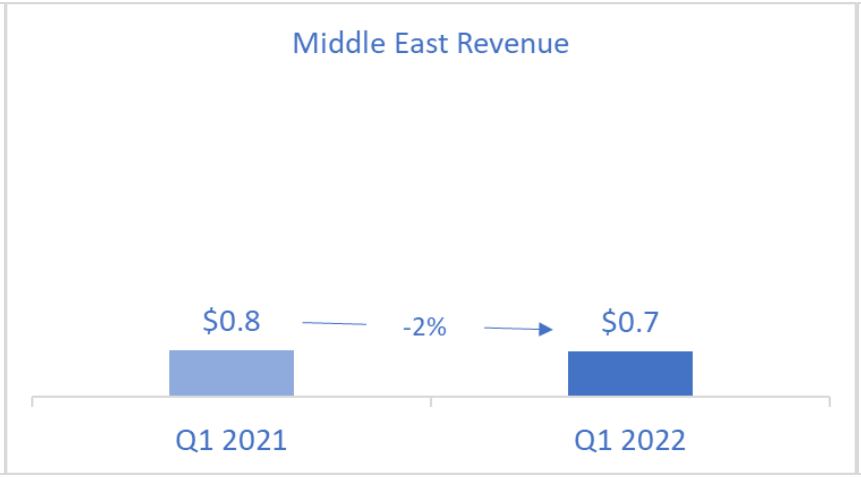
- Product revenue increased 90% to $4.5 million, compared to $2.0 million for the same period in the prior year.
- Development and consulting services revenue for Q1 2022 decreased by 28% to $0.4 million, compared to $0.5 million for the same period of the prior year.
- Revenue from development and consulting services varies based on opportunities and the length of the sales cycle for given projects.
- The timing of this revenue will vary depending on length and timing of projects and discussions with customers.

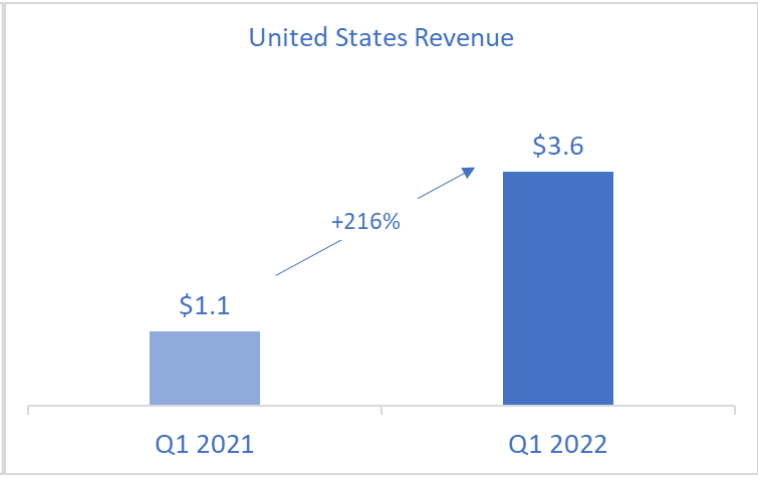


Q1 2022 Revenue by Geography

- Revenue in the United States increased 216% to $3.6 million primarily as a result of increased collagen dressing sales.
- Product revenue increased in the United States by 488% or $2.6 million.
- Revenue in the Middle East was down 2% to $0.7 million.
- Product revenue in Rest of World was down 15% to $0.6 million.

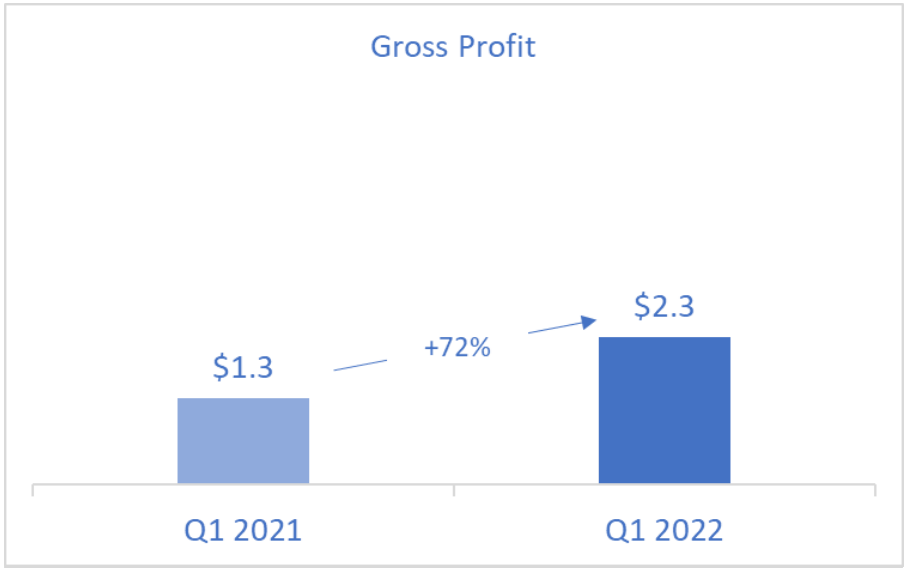






Q1 2022 Gross Profit and Adjusted Gross Margin(1)

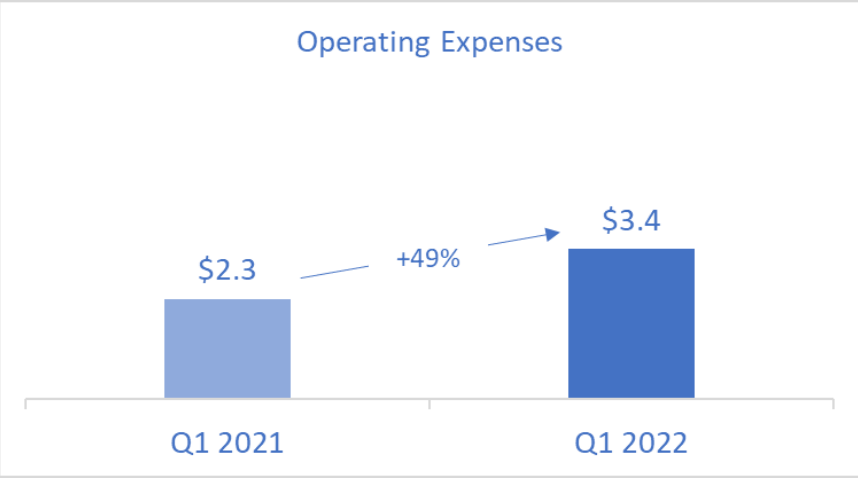
- Gross margin for the period ended December 31, 2021, decreased to 46% compared to 51% for the same period of the prior year.
- Included in cost of goods for Q1 2022 was a $0.7 million inventory provision.
- The gross margin is significantly influenced by source of revenue and by the relative mix of products sold in any given financial period.
- Adjusted gross margin(1), which excludes inventory provisions and depreciation, increased to 62% for fiscal 2021, compared to 55% for the prior year.

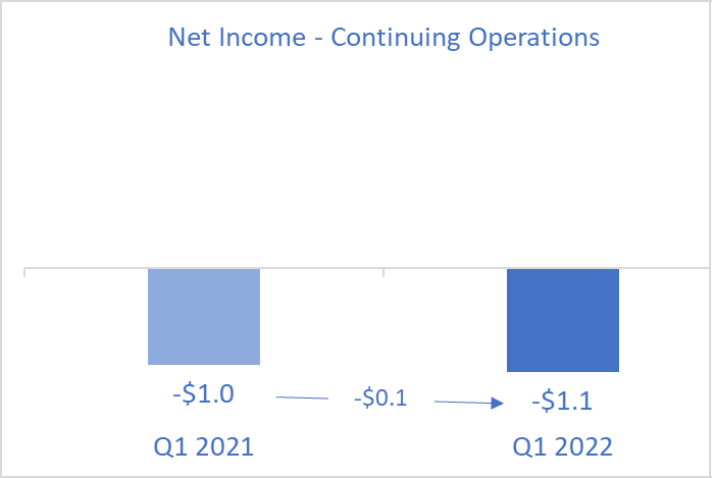


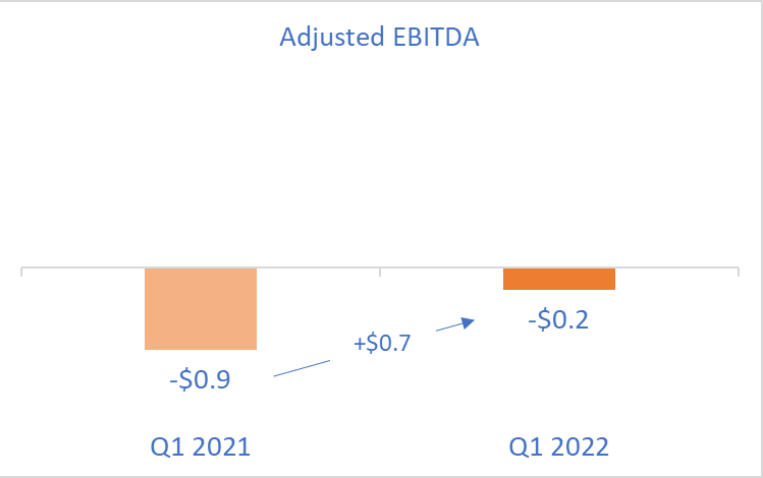
(1) See "Non-IFRS Measures" in the MD&A, including for a reconciliation of the non-IFRS measures used in this presentation to the most comparable IFRS measures

Q1 2022 Operating Expenses and Net Income (continuing operations)

- Operational expenses from continuing operations increased 49% to $3.4 million compared to $2.3 million for the prior year.
- Excluding government subsidies booked in the prior period, operating expenses increased approximately 32% or $0.8 million.
- Approximately $0.5 million relates to sales, marketing, operations and administrative staff previously dedicated to the discontinued AquaGuard business that were re-deployed to continuing operations.
- The Company recorded $0.3 million of government subsidies netted out against the related expenses in the prior period.
- Net loss from continuing operations was $1.1 million and Adjusted EBITDA loss was $0.2 million.







Advanced Wound Care Collagen Portfolio

Growth Drivers in 2022+

- Continued growth of collagen in United States
- Launched Collagen Powder in 2021 – anticipating contribution to revenue in 2022
- Middle East collagen contracts returning to pre-COVID-19 levels

Growth Drivers in 2022+

Antimicrobial Silicone Platform

- Growth in IV Clear and VALGuard customer base in United States with cross selling opportunities
- Launch SurgiClear in 2022 to US hospitals based on strong clinical evidence and key reference accounts
- Additional Middle East contracts secured for 2022-2023

Medical Device Coating Platform

Growth Drivers in 2022+

- Large Medical Coating license agreement announced in 2018 approximate 24 months from beginning of royalties
- Growing development pipeline of customer projects with opportunity for further license arrangements
- Growth of manufacturing coating services revenue opportunities

A proprietary free radical UV photo-polymerization “grafting from” process that results in a micron level functionalized surface. Completely customizable, CovaCoat® is lubricious and low particulate, enhancing the safety and functionality of medical devices, and can be further functionalized to deliver a range of active pharmaceutical ingredients (APIs).

CovaCoat® is a registered trademark of Covalon Technologies Ltd. © 2020 Covalon Technologies Ltd.

Key Investment Highlights Fiscal 2022

1. Well-funded and backed by very successful major investors, Covalon is positioned to accelerate top-line growth of its impressive product portfolio in the United States

2. Sale of AquaGuard product line transformed Covalon's balance sheet; with $25 million in cash and no debt positions Covalon for growth

3. Deep Intellectual Property protects the Company's flagship products and platform technologies

4. Covalon's products solve real clinical problems that competitive products cannot

5. The infection prevention and wound care markets we service are massive

Selected Partners & Distributors

Award Winning Products

Regulatory Pathway Expertise

ISO13485: 2016, MDSAP and FDA QSR certified

Questions?

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Thank You!

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